

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05
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INFO USMISSION EC BRUSSELS
AMEMBASSY LONDON
AMEMBASSY MADRID
AMCONSUL OPORTO
USMISSION OECD PARIS
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DEPT. PASS TREASURY FOR SYVRUD

E.O. 11652: N/A
TAGS: ECON, ELAB, PO
SUBJ: CIVIL SERVANTS PROTEST SALARY RAISE

REF: LISBON A-16

1. PUBLIC EMPLOYEES UNION HAS BEEN PROTESTING COUNCIL OF
MINISTERS DECREE WHICH GRANTED PORTUGAL'S 300,000 CIVIL
SERVANTS A 15 PERCENT SALARY INCREASE EFFECTIVE JANUARY 1.
UNION PROTESTS THAT:

- WORKERS' REPRESENTATIVES WERE NOT CONSULTED;
- INCREASE GRANTED DOES NOT COMPENSATE FOR 30 PERCENT
INFLATION IN THE 19 MONTHS SINCE LAST INCREASE;
- NEW SALARY SCHEDULE WIDENS GAP BETWEEN PAY OF CIVIL
SERVANTS AND THAT OF EMPLOYEES OF PUBLIC AND NATIONALIZED

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COMPANIES; AND
-- STRAIGHT PERCENTAGE INCREASE WIDENS DIFFERENCE
BETWEEN BOTTOM AND TOP SALARY SCALES. THOSE AT BOTTOM
RECEIVED MONTHLY RAISE OF 500-800 ESCUDOS (\$15.90 -
\$25.45), WHILE TOP SCALE GOT ADDITIONAL 2,900 ESCUDOS
(\$92.35). UNION IS ASKING FOR ACROSS-THE-BOARD INCREASE
OF 2000 ESCUDOS (\$63.65).

2. AROUND 7,000 DEMONSTRATORS MASSED JANUARY 17 IN FRONT OF SAO BENTO PALACE (WHICH HOUSES ASSEMBLY OF THE REPUBLIC AND PRIME MINISTER'S OFFICE) IN LISBON. REPRESENTATIVES GAVE ASSEMBLY PRESIDENT VASCO DA GAMA FERNANDES A PETITION, REPORTEDLY CONTAINING 57,000 SIGNATURES, WHICH ASKED ASSEMBLY TO ANNUL COUNCIL OF MINISTERS ACTION. UNION THREATENED FURTHER UNSPECIFIED ACTION IF DEMANDS ARE NOT MET.

3. COMMENT: A) GOP OFFICIALS TELL US THAT THEY INTEND TO STAND FIRM ON THIS ISSUE. AS THE YEAR PROGRESSES AND MOUNTING INFLATION FURTHER ERODES REAL INCOMES, HOWEVER, GOP WILL UNDOUBTEDLY COME UNDER SEVERE PRESSURE TO GRANT A HIGHER INCREASE.

B) DECISION TO GRANT PERCENTAGE, RATHER THAN DIFFERENTIATED INCREASE IS SIMILAR TO RECENT ACTION RAISING NATIONAL MAXIMUM SALARY AND UNFREEZING TOP SALARIES FOR BANKERS (SEE REF AIR). ALL THESE MEASURES SEEM DESIGNED TO REINTRODUCE A REASONABLE SPREAD IN SALARIES AND, THEREBY, TO HOLD COMPETENT TECHNICIANS AND MANAGERIAL PERSONNEL.

C) SECRETARY OF STATE FOR EMPLOYMENT TITO MORAIS TOLD EMBOFFS JANUARY 18 THAT ACTION BY PUBLIC EMPLOYEES UNION WAS "DEMAGOGIC AND WITHOUT JUSTIFICATION." ELECTION FOR UNION'S LEADERSHIP WAS WON DECEMBER 18 BY A PCP SLATE DUE TO SOCIALISTS LABOR LEADERS REFUSAL AGAINST SOARES' ADVICE TO FORM A COMMON ELECTORAL LIST WITH THE PSD. THE SOCIALISTS ARE NOW PAYING THE PRICE OF HAVING THIS LIMITED OFFICIAL USE

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IMPORTANT SECTOR UNDER PCP INFLUENCE.
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